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## The EU and Vietnam Agree on Trade Deal, But There's Still a Long Road Ahead

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*The recent announcement of the EU's agreement in principle with Vietnam marks the latest step towards its first free trade agreement with an emerging/developing Asian economy, writes **Maria Garcia**. She argues that, while the agreement has the potential to create new business opportunities, particularly for European companies in Vietnamese public procurement, the adoption of the final text and the ratification process face a number of challenges.*

On 4 August 2015, the European Commission and Vietnamese negotiators [announced](#) an agreement in principle on a free trade agreement following a telephone conversation between EU Trade Commissioner Cecilia Malmström and Vietnamese Minister of Industry and Trade Vu Huy Hoang. The agreement is significant for several reasons.

Firstly, it marks the EU's first comprehensive agreement with an emerging/developing state in Asia. Thus far, the EU had only managed to complete agreements with Singapore, and previously with South Korea, both developed economies more amenable to the EU's comprehensive liberalisation model including services, government procurement, technical standards and strict intellectual property protection.

Secondly, it furthers the EU's plans to restructure relations with emerging markets and gain market access in growing parts of the world that retain higher barriers to trade and investment, particularly Asia.

Thirdly, the agreement represents another step towards a broader eventual agreement with [ASEAN](#). The [2006 Global Europe Trade strategy](#) prioritised negotiations with Asian states given their rising economic status. Negotiations with South Korea and ASEAN began in 2007, but whilst the Korean ones prospered and led to the 2011 agreement, those with ASEAN faltered.

Initially conceived as a region-to-region agreement, the degree of heterogeneity in ASEAN proved insurmountable, and negotiations were superseded in 2010 by bilateral negotiations with individual ASEAN states. Negotiations with Singapore and Malaysia were launched in 2010, with Vietnam in 2012 and with Thailand in 2013. An agreement with Singapore was signed in 2013 and is undergoing ratification. Negotiations with the others have been complex and protracted.

An agreement with Vietnam may give impetus to the other negotiations, as sectors in the Malay and Thai economies may fear being at a disadvantage to Vietnamese competitors vis-à-vis the European market. The agreement could also serve an exemplary purpose, by demonstrating that an Asian developing/emerging economy can sign a comprehensive agreement with the EU. It also serves to show that the EU can adopt a differentiated approach to its partners and agree tailored timelines for liberalisation – something it has also done in the case of recent deals with Latin American states.

The proposed agreement with Vietnam will eliminate 99 per cent of all tariffs between the parties. The EU will eliminate duties over a 7-year period and Vietnam over a 10-year period. This is standard practice in all trade agreements and reflects the need to take into account politically-sensitive products in each of the parties, and give sufficient time for sectors to adapt. For instance, the EU will allow access via quotas, rather than full access, for Vietnamese products that fall into sensitive categories for the EU (tinned tuna, sugar and high-sugar products, rice and garlic).

From a European perspective, the negotiated access to the Vietnamese service sector – and, more importantly, the government contract sector – could offer lucrative business opportunities. The inclusion of government procurement is guided by the Government Procurement Agreement at the [WTO](#), to which Vietnam is not a party. Its use all the same [reflects a tendency](#) in EU free trade agreements to embed partners into multilateral economic governance structures.

Moreover, as the July meeting in Hawaii failed to deliver an end to the [Trans-Pacific Partnership](#) (TPP) negotiations that would connect Vietnam (alongside ten other Asia-Pacific states) to the US in a multiparty comprehensive trade agreement, the EU-Vietnam agreement could offer European firms an opportunity of exclusive access to Vietnam's public procurement.

However, supporters of the deal should put the champagne on hold. In October 2013, the EU and Canada announced an agreement in principle on their free trade agreement. However, it was not until August 2014 that they agreed on an actual text to be initialled, and the text is still undergoing 'legal scrubbing'.

Free trade agreement ratification processes in the EU have become lengthier and more complex since the entry into force of the Lisbon Treaty. The first agreement to be ratified by the European Parliament after Lisbon was the one with South Korea, and at that stage sectoral issues (car manufactures) resurfaced.

The ratification of the agreement with Singapore, which was envisaged to be unproblematic, has now been delayed as well. This was the first agreement where the European Commission used its new Lisbon competences to negotiate an investment chapter. Member states and the European Commission have interpreted the reach of the Commission's competences over investment differently.

To settle the matter, the European Commission [decided](#) in October 2014 to ask the European Court of Justice to determine where the competences lie, before proceeding with the ratification of the EU-Singapore trade agreement. These

examples show that whilst an agreement in principle is a critical step, it is by no means the end of the long road to a free trade agreement.

Opposition and concerns over the deal with Vietnam, and in [particular](#) potential negative impacts on labour, jobs and land rights in Vietnam, are unlikely to vanish, and will resurface at the ratification stage. Although the European Commission has now decided to undertake human rights impact studies for future trade deals, it has dismissed this in the Vietnam case as the deal was negotiated under older frameworks.

As in other recent deals, the agreement will include labour and environmental chapters subject to a 'soft law' dispute settlement mechanism which includes the participation of civil society as key monitors of the situation. These arrangements reflect the complex position of the EU's trade negotiators, mandated to open markets and export core European values and norms [simultaneously](#), in a world where partners, particularly in Asia, see these as distinctly separate spheres.

Gaining Vietnam's acquiescence to these provisions thus far is no small feat. However, the effectiveness of these measures in safeguarding and promoting labour and environmental standards will only be measurable after the agreement has been fully implemented, and that is still years away. Moreover, as civil society and European Parliament awareness and activism on these matters increases, the final ratification may end up being another lengthy and contested process.

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